



European Bank
for Reconstruction and Development

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE MINISTRY OF FINANCE OF THE REPUBLIC OF UZBEKISTAN

THE CENTRAL BANK OF THE REPUBLIC OF UZBEKISTAN

**THE STATE COMMITTEE OF THE REPUBLIC OF UZBEKISTAN FOR
ASSISTANCE TO PRIVATISED COMPANIES AND DEVELOPMENT OF
COMPETITION**

AND

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

IN RESPECT OF

**COOPERATION FOR THE DEVELOPMENT OF CAPITAL MARKETS
AND LOCAL CURRENCY LENDING IN THE REPUBLIC OF UZBEKISTAN**

1 August 2018



This **MEMORANDUM OF UNDERSTANDING** (hereinafter referred to as the "**Memorandum**") is entered between:

- (a) THE MINISTRY OF FINANCE OF THE REPUBLIC OF UZBEKISTAN (hereinafter referred to as the "**Ministry**");
- (b) THE CENTRAL BANK OF THE REPUBLIC OF UZBEKISTAN (hereinafter referred to as the "**Central Bank**");
- (c) THE STATE COMMITTEE OF THE REPUBLIC OF UZBEKISTAN FOR ASSISTANCE TO PRIVATISED COMPANIES AND DEVELOPMENT OF COMPETITION (hereinafter referred to as the "**Committee**"); and
- (d) EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter referred to as the "**Bank**" or "**EBRD**").

In this Memorandum, the Ministry, the Central Bank, the Committee and EBRD are referred to collectively as the "**Parties**" and individually as a "**Party**".

WHEREAS EBRD is an international organization established under public international law pursuant to the Agreement Establishing the Bank dated 29 May 1990 (the "**Agreement**");

WHEREAS the Republic of Uzbekistan acceded to the Agreement and became a member of EBRD on 30 April 1992;

WHEREAS the Republic of Uzbekistan is implementing the Decree of the President of the Republic of Uzbekistan (No. UP-4947) dated 7 February 2017 "On the Strategy of Actions on Further Development of Uzbekistan", including gradual introduction of modern market mechanisms of monetary regulation, ensuring the stability of the national currency;

WHEREAS the Parties have a common interest in ensuring the stability and development of Uzbekistan's financial sector, banking and capital markets, as well as in improving local currency intermediation, particularly in relation to Small Business and Private Entrepreneurship (the "**SBPE**") in Uzbekistan; and

WHEREAS EBRD established in 2016 the Small and Medium Enterprises Local Currency Programme (the "**Programme**") which seeks to assist participating countries to implement reforms and develop local capital markets, enhance access to affordable local currency funding for Small and Medium Enterprises, and increase the availability of local currency funding sources, and the Ministry, the Central Bank and the Committee confirm that Uzbekistan is interested to join the Programme.

The Parties have reached the following understanding:



Article 1 - Objectives

The Parties seek to co-operate with respect to the following objectives:

- Strengthening Uzbekistan's banking and financial sectors;
- Developing local capital markets; and
- Improving financial intermediation and deepening and diversifying the funding sources for borrowers, and, especially, of the SBPEs in remote areas, particularly with respect to the availability of local currency financing.

Article 2 - Priority Measures

The Ministry, the Central Bank and the Committee seek to increase local currency usage and further develop local funding and capital markets in Uzbekistan through the adoption of:

Local capital/local currency markets related measures

1. Introduction of measures to further improve the regulatory and legal framework of the entire financial market, including the securities market, repo and derivatives, banking and non-banking financial services in order to bring the local market as close as possible to international standards in terms of instruments and practices;
2. Developing the interbank UZS market to support resilient financial markets and effective transmission of monetary policy;
3. Developing well-functioning bond markets, starting with a primary market and liquid secondary markets for government securities; in the medium-term, ensuring a sound and efficient market infrastructure and establishing diversified investor base with more concrete steps to be determined at implementation stage;
4. Enhancing the equity markets to effectively and efficiently channel investments from both domestic and foreign investors to corporates;
5. Developing a repo market which will be accessible for participation by foreign investors and which will support liquidity in the Government's bond market and facilitate interbank lending activity;
6. Building a sound and effective prudential regulation and supervision framework for establishing derivatives markets where foreign investors can participate through clear definitions and procedures under a dedicated and unified legal umbrella and through conformity of rules and practices to the global standards (i.e. International Swaps and Derivatives Association (ISDA) rules and protocols);
7. Conducting an effective information and communication policy aimed at increasing the public and business entities' awareness and understanding of monetary policy;



Banking sector related measures

8. Pursuing banking sector reforms to improve the stability and resilience of the banking system as per the government's banking sector transformation plan;
9. Introduction of modern international standards on corporate governance and financial disclosure to promote transparency in joint-stock companies/financial institutions both in decision making and financial reporting; and
10. Introducing adequate financial risk management practices to market participants, in particular in the banking sector, including in terms of credit, FX, interest rate, and liquidity risk management, through capacity building as well as financial infrastructure (including trading platform and payment system) and an enabling legal and regulatory environment.

Article 3 – Action Plan

1. The Parties will organise in forth quarter of 2018 a workshop with key stakeholders and market participants to discuss importance of local currency operations and local capital market development, and to conduct necessary assessment, on Uzbekistan's progress in respect of the development of financial markets and the functioning of money and capital markets;
2. Based on the assessment and a reform agenda agreed amongst all Parties, EBRD will seek to support the Uzbek authorities in the implementation of the abovementioned measures in part or in full through engagement of internal and external experts under targeted technical cooperation, subject to the availability of funding and other resources.
3. EBRD will launch the Programme in Uzbekistan with the objective of providing eligible beneficiaries access to local currency loans at interest rates that aim to stimulate the local currency loan market while being appropriately and competitively priced. Ongoing access to Programme will be in accordance with and subject to the policies, procedures and rules of EBRD.
4. The Parties will work jointly on this important undertaking and will aim to continue engaging in active discussions and consultations with market participants.



Article 4 - Communications

Any notice or other communication to be given or made under this Memorandum shall be addressed and sent to the following contact points or to such other address as any Party may designate by notice to the other Parties:

For the Ministry:

Address: Mustaqillik 5, Tashkent, 100008, Uzbekistan
Attention of: Financial Market Department
Fax: +998 71 244 56 43
Email: priyomnayamf@mf.uz; info@mf.uz

For the Central Bank:

Address: 6, I.Karimov Str., Tashkent, 100001, Uzbekistan
Attention of: International Cooperation and Communication Department
Fax: +998 71 233-35-09
Email: international@cbu.uz

For the Committee:

Address: 55, I. Karimov Str., Tashkent, 100066, Uzbekistan
Attention: International Cooperation and Public Relations Department
Email: info@gki.uz

For EBRD:

Address: 1, Koratosh Str., Tashkent, 100027, Uzbekistan
Attention: Alkis Vryenios Drakinos, Head of Uzbekistan
Email: DrakinoA@ebrd.com



Article 5 - Final Provisions

This Memorandum reflects the views and intentions of the Parties to co-operate on a non-exclusive basis, expressed in good faith but without the creation of any legal obligation or the incurrance of any liability on the part of any of them. Nor shall any third party obtain any legal benefit from this Memorandum.

It is understood and agreed that nothing in this Memorandum will constitute, or be construed as, an offer, promise or undertaking by either Party to finance all or part of any activity or project identified in or pursuant to this Memorandum.

Nothing in this Memorandum will limit the right of any Party, or prevent the Parties from entering into memoranda or arrangements with other parties with respect to any activity, project or area of cooperation covered by this Memorandum.

Nothing in this Memorandum will constitute nor be construed as a waiver, renunciation or other modification of any of the privileges, immunities and exemptions granted to EBRD under the Agreement, international conventions or any applicable laws.

Any dispute arising out of, or in connection with, the interpretation or application of any provision of this Memorandum will be settled amicably through consultations.

This Memorandum will become effective on the date it is signed by all the Parties and will remain in effect until either Party notifies other Parties in writing of its intention to terminate this Memorandum. In such case, this Memorandum will terminate ninety (90) days after receipt of such notice by other Parties.



IN WITNESS WHEREOF, the Ministry, the Central Bank, the Committee, and EBRD, each acting through its duly authorized representative, have signed this Memorandum of Understanding in Tashkent on 1 August 2018 in five (5) originals, in the English language.

FOR THE MINISTRY OF FINANCE OF THE REPUBLIC OF UZBEKISTAN:

By: _____

Name: Jamshid Kuchkarov

Title: Minister of Finance

FOR THE CENTRAL BANK OF THE REPUBLIC OF UZBEKISTAN:

By: _____

Name: Mamarizo Nurmuratov

Title: Chairman of the Board

FOR THE COMMITTEE OF THE REPUBLIC OF UZBEKISTAN FOR ASSISTANCE TO PRIVATISED COMPANIES AND DEVELOPMENT OF COMPETITION:

By: _____

Name: Najmiddinxodja Sharipov

Title: First Deputy Chairman

FOR EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT:

By: _____

Name: Sumantra Chakrabarti

Title: President